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BIWEEKLY REPORT

**SINO-SOVIET BLOC
ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS**

EIC-WGR 1/135

10 April 1961

PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE

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Summary of Events
24 March - 6 April 1961

East Germany has extended a credit of \$5.7 million to Egypt for the purchase of machinery and equipment for municipal development. The credit is to be repaid in 5 years at 2.5-percent interest.

Ethiopia reportedly has notified the Soviet Government that it is no longer interested in having the USSR build an oil refinery. Construction of this installation was to be financed under the July 1959 Soviet credit of \$100 million. The Ethiopian decision was based on a new Soviet estimate that substantially increased the cost of the project.

Ghana has agreed to purchase two more Il-18 aircraft from the USSR under the same credit terms as the six previously acquired.

Ceylon and Communist China on 4 April signed the annual protocol to their 5-year (1958-62) rubber-rice barter agreement. The contract, which provides for an increase above 1960, calls for an exchange of 31,000 metric tons of Ceylonese rubber for 200,000 long tons of Chinese rice.

Hungary has offered to extend to India a credit of \$16.8 million for industrial development. Repayment would be in Indian goods over a period of 8 to 9 years at 2.5-percent interest. In another development, India and Poland have signed an agreement for the construction at Hyderabad of a machine tool factory worth \$3 million.

Czechoslovakia is second only to the USSR in the foreign aid program of the Bloc. Total Czechoslovak aid, which is equally divided between economic and military assistance, amounted to \$660 million as of 31 March, compared with Soviet aid of \$3.8 billion and Chinese Communist aid of \$350 million.

Because of two poor agricultural years in a row, Communist China has been buying grain from Free World countries in unprecedented

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quantities. The seriousness of the agricultural situation on the mainland becomes apparent when these purchases -- 2.9 million metric tons during the past 6 months alone -- are compared with the annual total grain imports by Communist China of approximately 140,000 tons during the period 1955-58.

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at 2.5-percent interest. This is the first bid that Hungary has made to participate on a significant scale in India's economic development, and it constitutes the largest single credit offered by Hungary to any underdeveloped country. Exclusive of the present offer, Hungarian credits to underdeveloped countries total \$39.5 million. [REDACTED]

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Hungary is willing to assist in establishing aluminum plants, seamless tube factories, flour mills, pharmaceutical plants, and sheet glass factories. Apro stated that the credit could be utilized for setting up these industries either in the public or in the private sector of the economy. Although no official Indian response to the offer has been announced, Apro said that both sides have agreed to study the technical and financial aspects of the projects under consideration. [REDACTED]

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In another development, Polish and Indian authorities have signed an agreement for the construction of a machine tool factory valued at about \$3 million at Hyderabad in southeastern India. This project is the first to be obligated under the Polish credit of \$30 million that was extended to India in May 1960.* Negotiations are continuing for the utilization of the remainder of the credit. Poland has offered to supply equipment for a variety of industrial projects including coal-washing facilities and plants for the manufacture of boilers, pumps, and compressors. [REDACTED]

B. Rice-Rubber Protocol Signed Between Ceylon and Communist China

The annual protocol to the 5-year (1958-62) rubber-rice barter agreement between Ceylon and Communist China was signed on 4 April, and it provided for an increase in this trade above the level called for in the 1960 contract. The Ceylonese have agreed to exchange 31,000 metric tons of rubber for 200,000 long tons of rice. The 1960 contract -- 17,000 metric tons of rubber for 160,000 long tons of rice -- did not cover Ceylon's requirements for rice, and Ceylon was forced to acquire additional rice from China outside the agreement. China is expected to meet most of this year's commitment to Ceylon with rice from Burma. [REDACTED]

* See the Biweekly Report of 25 May 1960.

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